

1982 farm forecast

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in 1980 but still the second largest on record.

The large pork production of the last 3 years has depressed hog prices. Combined with rising production costs, this has generally caused financial losses for most hog producers. As a result, producers have cut the U.S. breeding inventory, which has shown year-to-year declines since early 1980.

As pork production dropped this year, hog prices strengthened. Declining feed prices and moderating total production costs have improved producer returns. This has led hog producers to adjust management plans so that the rate of decline in pork output will moderate during 1982. Based on September 1, 1981, hog inventories and producer plans, pork output is expected to decline 4 to 6 percent next year. The largest declines will come early in the year, with late-1982 production approaching that of late 1981.

This level of output would still be relatively large, especially considering the expected supply of other meats and consumers' purchasing power next year. Hog prices likely will strengthen in 1982, but with total meat supplies continuing large, the average price of barrows and gilts at 7 markets is expected to be \$45 to \$49 per cwt.

World pork supplies have tightened this year. Reduced feed supplies last year sharply raised feed costs in many countries. Furthermore, slow economic growth weakened hog prices and

put producers in an economic squeeze. As a result, 1981 would pork production has slipped a little below last year. Next year, world pork output is expected to be about the same as in 1981, with larger feed supplies giving pork producers a break on production costs.

Broilers (U.S.)

Competing meat supplies, particularly of pork, will heavily influence broiler output and returns in 1982. Pork output could be down to 4 to 6 percent and beef up 2 to 4 percent. With the expected slow economy, producers must restrain total supplies of red meats and poultry for price strength to materialize. Broiler producers, however, are likely to respond quickly to price strength if it develops.

Improvement in cost prospects and stabilization of the hatchery supply flock suggest that producers are planning a slight expansion for 1982. Broiler output in the first and second quarters may rise somewhat from 1981, especially if reduced pork production lifts prices from current low levels. Third-quarter output will likely equal the second quarter, with fourth-quarter production likely near a year earlier if pork production also holds near 1981 levels.

Broiler prices in 1982 are expected to strengthen from 1981 levels. The 9-city weighted average wholesale broiler price in first-half 1982 may be slightly weaker than this year. But in the second half, the expanding

economy may strengthen prices provided broiler production shows.

Broilers (World)
International trade in poultry products will expand again in 1982. The United States will continue as the world's leading single-country exporter of poultry meat, possibly shipping 440,000 to 470,000 tons—roughly 10 to 15 percent above the 1981 figure. The major U.S. markets are expected to be the Middle East, the Far East, and the Caribbean. However, as in the past, U.S. poultry meat export will probably be more widely distributed among destinations than those of its major competitors.

In 1982, competition among the leading exporters will intensify. As in the past, the United States' major competitors will be the European Community (EC), France in particular. Other EC members exporting substantial quantities of poultry to non-EC countries are the Netherlands, West Germany, and Denmark. The other major competitor for poultry meat export markets in 1982 will continue to be Brazil and Hungary.

Eggs
Production may continue to trail year-earlier levels in the first half of 1982, with the total for the year forecast to be even with 1981 to down 2 percent. If producers reduce output in the first half, egg prices may average 73 to 75 cents a dozen, up from 70 cents this year. In the second half of 1982, egg prices may average 76 to 78 cents a dozen if the economy improves.

Turkeys

Large holdover stocks will help push turkey production down 4 to 6 percent in 1982. Turkey output may decline about 3 percent in the first half and 8 to 10 percent in the second half. Prices of young hens

may average 53 to 57 cents during the first half of 1982, down from 62 cents this year. If turkey production falls as expected, cold storage stocks will likely be much lower than this year—helping to support prices in the second half. If the economy picks up, turkey prices may average 67 to 71 cents a pound in the second half of 1982.

Dairy (U.S.)

In 1982, the expansion in milk production—which began in mid-1979—may slow if support prices remain level throughout the year. Farm milk prices may only increase 1 to 2 percent over 1981—with most of that gain occurring in the second half, if production adjustments occur.

Milk-feed price relationships will still be favorable, but gains in output per cow may slow as older cows are culled from the herd and replaced by first-lactation heifers. However, as these heifers move to later lactations, gains in output per cow could again pick up. In addition, with limited off-farm opportunities and low utility-cow prices, the culling rate could remain low, with cow numbers exceeding year-earlier levels during most of the year. Under these conditions, total milk production in 1982 may range from even with 2 percent above 1981's record, with gains in the first half more than offsetting somewhat lower production later in the year.

The all-milk price likely will average about \$13.75 for all of 1981, up about 6 percent from 1980. With excess supplies, prices in the first half of 1982 will be about the same as a year earlier. If production adjustments occur during the second half and the general economy improves, prices would likely move above year-earlier levels.

During the first 9 months of 1981, USDA purchases under the price-support programs totaled 11.2 billion pounds (milk-equivalent fat basis), compared with 7.4 billion a year earlier. This 9-month total represented about 11 percent of total estimated farm marketings. Through September, butter removals totaled 307 million pounds, up from 208 million a year earlier. American cheese purchases totaled 490 million pounds, up from 307 million, while purchases of nonfat dry milk were 677 million pounds, up from 524 million.

The purchase picture has not changed yet during October, USDA removed all three products from

the market in amounts greater than in 1980. This is not surprising, however, since supplies remained large and products manufactured during the first 20 days of October could be sold to the Commodity Credit Corporation at temporarily higher purchase prices. Purchases of all three products likely will continue heavy in 1982—although purchases will slow late in the year if production adjustment occur.

Dairy (World)

Milk: World milk output will likely rise about 1 percent in 1982, as conditions are expected to improve in the Soviet Union, New Zealand, and Australia, India, Canada, and Brazil increased output in 1981, but declines occurred in the Soviet Union and Poland because of feed grain and forage problems and in New Zealand and Australia because of hot weather and drought. In the 10 European Community (EC) countries, which account for nearly 30 percent of world milk output, cow numbers have declined, and total milk output appears to have nearly stabilized.

Butter: World butter production has remained near 6 million tons since 1976 and is expected to continue at that level in 1982. U.S. butter production is up sharply—an estimated 8 percent this year—reflecting the sharp rise in raw milk available for manufacturing dairy products. With commercial use down slightly, U.S. stocks increased rapidly during the first half of 1981, with most of the surplus moving into stocks owned by the government. In April, the Commodity Credit Corporation (CCC) sold 30,000 metric tons to Poland. Then in August, the CCC sold 100,000 metric tons of its inventory (about one half) to the New Zealand Dairy Board. New Zealand intends to convert most of this butter into butteroil for sale on world markets, particularly for recombining with nonfat dry milk to make a fluid milk product.

New Zealand and the EC are the world's leading exporters of butter. Excluding intra-EC shipments, these two major exporters of dairy products account for around 85 percent of the world butter trade. The EC subsidizes butter exports to limit excessive buildup in its intervention (government-owned stocks). The most recent EC export subsidy is \$1,155 per metric tons, or 52 cents a pound.

Nonfat dry milk: World production of nonfat dry milk powder this year is estimated at nearly 4.2 million metric tons, only slightly above 1980's output. Little change in production is anticipated for 1982.

World stocks at the end of 1981 are likely to be up sharply from ending 1980 levels, and they may

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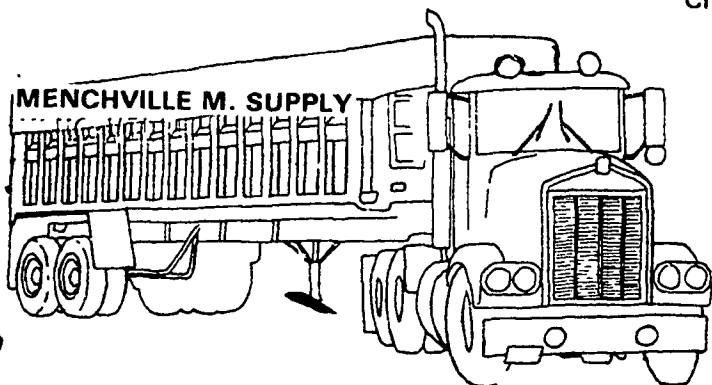
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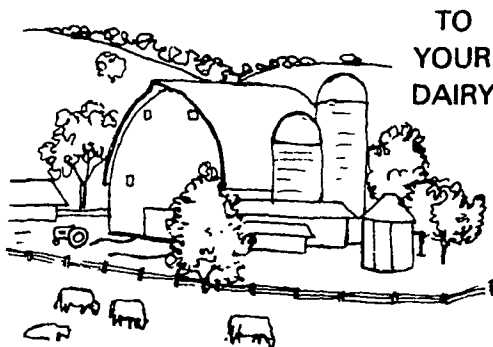
ANALYSIS ON 100% DRY BASIS

Crude Protein	24%/29½%
Crude Fiber	15%/16½%
Crude Fat	5%
NFE	38%

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